

14.73 The Challenges of Global Poverty Syllabus

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1 Administration

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- Office Hours: Esther Duflo and Dave Donaldson: by appointment
- Office Hours: Arun Chandrasekhar: by appointment
- Lecture: M, W 1-2:30pm, Rm 4-370
- Recitation: Friday 1 pm and 2 pm, Rm 2-190
- Course Web site: <http://stellar.mit.edu/S/course/14/fa09/14.73/index.html>

2 Course Description

This is a course for those who are interested in the challenge posed by massive and persistent world poverty, and are hopeful that economists might have something useful to say about this challenge. The questions we will take up include: Is extreme poverty a thing of the past? What is economic life like when living under a dollar per day? Why do some countries grow fast and others fall further behind? Does growth help the poor? Are famines unavoidable? How can we end child labor—or should we? How do we make schools work for poor citizens? How do we deal with the disease burden? Is microfinance invaluable or overrated? Without property rights, is life destined to be “nasty, brutish and short”? Has globalization been good to the poor? Should we leave economic development

to the market? Should we leave economic development to non-governmental organizations (NGOs)? Does foreign aid help or hinder? Where is the best place to intervene? And many others.

3 Prerequisites

No prerequisites. But economics is a mathematical science so math will appear, in small doses, in two forms. First, this course is empirically-oriented, so almost all of the required readings and lectures will, at times, use elementary statistics to describe the world. In addition, a handful of the required readings will use more advanced statistical tools (such as correlations and regressions) to dig deeper into the data. However, the recitations for this course will go over these more advanced concepts in detail, so no prior knowledge is required. Second, the lectures will occasionally discuss simple mathematical models that economists find helpful to describe some aspects of the data. The intuition behind these models will, however, always be made clear, and can be used as a substitute (for the purposes of your understanding, and when answering exam questions) for mathematics.

During the lecture, we will ask all of you for your participation and insight: so don't forget to bring your critical mind to class with you.

4 Text, Films and Readings

The recommended text for this class is *Understanding Poverty*, edited by Abhijit Banerjee, Roland Benabou and Dilip Mookherjee. We will also rely on articles and chapters of other books that you can access online through the Stellar site. Required readings are starred and need to be read *before* the lecture that they are listed under (see grading below). Additional readings are not required, but will aid your understanding of the lecture material. Lecture notes will be distributed at each lecture. They are *not* a substitute for attending the class, but rather a study aide. In order to motivate some of the issues discussed in the lectures and readings we will watch a handful of short films during some of the lectures, as listed below.

5 Syllabus

1. (9-Sept) Introduction I: Introduction to Poverty and Developing Countries
 - *World Development Report*
 - Hartman, Betsey and James Boyce (1979), "Siphoning the Surplus: The Trials of a Poor Peasant Family", Chapter 12 in *Needless Hunger: Voices from a Bangladesh Village*
 - Can be found on Google Books (without any missing pages in the relevant section). See pages 20-29, focus on 27-29.

- Film: The diary of Jeff Sach and Angelina Jolie in Africa
 - Can be found in 3 parts on Youtube.com
2. (14-Sept) Introduction II: Does Growth Reduce Poverty? (Or, Does a Rising Tide Lift All Ships?)
 - * Dollar, David and Aart Kraay (2002), “Growth Is Good for the Poor,” *Journal of Economic Growth*, Springer, vol. 7(3), pages 195-225
 - Read through page 14
 - Datt, G. and Ravallion, M. (2002), “Is India’s Economic Growth Leaving the Poor Behind?”, *Journal of Economic Perspectives*
 3. (16-Sept) Introduction III: Life Under a Dollar a Day
 - * Banerjee, Abhijit and Esther Duflo (2008), “The Economic Lives of the Poor”, *Journal of Economic Perspectives* (read until the beginning of section "understanding the economic lives of the poor")
 4. (21-Sept) Food I: How nutrition affect productivity
 - * Nunn, Nathan and Nancy Qian (2008), “The Potato’s Contribution to Population and Urbanization: Evidence from an Historical Natural Experiment”, working paper, Harvard.
 - Read the introduction and section 5.A (the graphical presentation of results)
 5. (23-Sept) Food II: The Nature of Famine
 - * Sen, Amartya (1982), “The Great Bengal Famine”, Chapter 6 of *Poverty and Famines: An Essay on Entitlement and Deprivation*, Oxford University Press.
 - Film: *Asani Sanket (Distant Thunder)* (1973), directed by Satyajit Ray.
 6. (28-Sept) Food III: What Causes Famine?
 - * O’Grada, Cormac (2007) “Making Famine History”, *Journal of Economic Literature*
 7. (30-Sept) Food IV: Is there a nutrition based poverty-trap? The Demand for Food
 - * Robert Jensen, Raiders of the Lost Arc Elasticity, Part I
 - Found at: <http://freakonomics.blogs.nytimes.com/2008/05/05/the-indiana-jones-of-economics-part-i/>

- * Robert Jensen, Raiders of the Lost Arc Elasticity, Part II
 - Found at: <http://freakonomics.blogs.nytimes.com/2008/05/06/the-indiana-jones-of-economics-part-ii/>
 - * Robert Jensen, Raiders of the Lost Arc Elasticity, Part III
 - Found at: <http://freakonomics.blogs.nytimes.com/2008/05/07/the-indiana-jones-of-economics-part-iii/>
8. (5-Oct) Education I: The Demand for School and Child Labor
- * Udry, Christopher, “Child Labor”, Chapter 16 in *Understanding Poverty*
 - * Basu, Kaushik, “Policy Dimensions for Controlling Child Labor”, Chapter 17 in *Understanding Poverty*
 - Film: *Educating Yaparak*
9. (7-Oct) Education II: What Brings Pupils to School?
- * J-PAL Bulletin "Fighting Poverty: what works" issue 1: Meeting the Millennium Development Goals
 - * Duflo, Esther, Rachel Glennerster and Michael Krmer Randomized Evaluations of Interventions in Social Science Delivery , Development outreach, 2004
10. (13-Oct) Education III: The Effects of Education
- * Easterly, William (2002), “Educated for What?”, Chapter 4 in *The Elusive Quest for Growth: Economists’ Adventures and Misadventures in the Tropics*, MIT Press
 - * Case, Anne, “The Primacy of Education”, Chapter 18 in *Understanding Poverty* (part 1)
11. (14-Oct) Education IV: How to Make Schools Work for the Poor
- * Banerjee, Abhijit, Shawn Cole, Esther Duflo and Leigh Linden (2007), “Remedying Education: Evidence from Two Randomized Experiments in India,” *Quarterly Journal of Economics*, 122(3), pp 1235-64.
12. (19-Oct) Health I: Delivering Healthcare, a Case Study from India part I
- * Health and Health Care in Rajasthan: Identifying Problems, finding Solutions Abhijit Banerjee and Esther Duflo, case study, Kennedy School of Government
 - Film: *The Name of the Disease* (2006). Edited by Sumit Ghosh. Directed by Abhijit Banerjee, Arundhati Banerjee and Bappa Sen.

13. (21-Oct) Health II: Disease and Development: Micro and Macro Approaches

- * Acemoglu, Daron and Simon Johnson (2007), “Disease and Development: The Effect of Life Expectancy on Economic Growth”, *Journal of Political Economy*, 115, pp 925-985.
- Bleakley, Hoyt (2007), “Malaria Eradication in the Americas: A Retrospective Analysis of Childhood Exposure,” working paper, University of Chicago.

14. (26-Oct) Health IV: Delivering Healthcare: Malaria and the Bednet Controversy

- * Post and Discussion from Dani Rodrik’s blog on January 15, 2008 (“Jeff Sachs Vindicated”)
- * Dupas, Pascaline and Jessica Cohen, “Free Distribution or Cost-Sharing? Evidence from a Randomized Malaria Prevention Experiment”, *Quarterly Journal of Economics*, forthcoming.

15. (28-Oct) Investment and Technology: Should we subsidize fertilizer?

- *Dugger, Celia W. (2007). “Ending Famine, Simply by Ignoring the Experts.” *The New York Times*, December 2, sec. International / Africa.
- *Fertilizer Use in African Agriculture: Lessons Learned and Good Practice Guidelines World Bank, Washington DC (introduction only)

16. (2-Nov) Finance I: Introduction to Credit, Savings and Insurance

- * Besley, Timothy, “Nonmarket Institutions for Credit and Risk Sharing in Low Income Countries,” *Journal of Economic Perspectives*, 9, pp 115-127.
- Film: *Credit Where Credit is Due*

17. (4-Nov) Finance II: The Microcredit Promise?

- * * http://www.boston.com/bostonglobe/ideas/articles/2009/09/20/small_change_does_n
- * Banerjee, Abhijit, Esther Duflo, Rachel Glennerster and Cynthia Kinnan (2009), “The Miracle of Microfinance? Evidence from a Randomized Evaluation,” working paper, MIT.

18. (9-Nov) Finance III: Saving

- * Chapter 2: The Daily Grind in Collins, Daryl, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven. *Portfolios of the Poor*. Princeton: Princeton University Press, 2009.
- Note: No class on November 11

19. (16-Nov) Finance IV: Insurance
- * Morduch, Jonathan, “Microinsurance: The Next Revolution?”, Chapter 22 in *Understanding Poverty*.
20. (18-Nov) Institutions I: Property Rights on the Ground
- * http://www.fig.net/pub/fig2008/papers/ts07a/ts07a_03_mooya_cloete_2757.pdf
 - Film: *Brazil’s Land Revolution*
21. (23-Nov) Institutions II: Property Rights and the Wealth of Nations
- * Acemoglu, Daron, Simon Johnson and James Robinson, “Understanding Prosperity and Poverty: Geography, Institutions and the Reversal of Fortune,” Chapter 2 in *Understanding Poverty*.
 - Engerman, Stanley L. and Kenneth Sokoloff, “Colonialism, Inequality and Long-Run Paths of Development,” Chapter 3 in *Understanding Poverty*.
22. (25-Nov) International Dimensions I: The World Bank and the IMF
- * Krueger, Anne O. (1998), “Whither the World Bank and the IMF?”, *Journal of Economic Literature*, 36, pp 1983-2020.
 - Film: *Bamako* (2006), directed by Abderrahmane Sissako.
23. (30-Nov) International Dimensions II: Globalization and Trade
- * Banerjee, Abhijit, “Globalization and All That”, Chapter 6 in *Understanding Poverty*
 - Film: *The Coffee-Go-Round*
24. (2-Dec) International Dimensions III: Globalization and Financial Crisis
- * Ocampo, J. (2004), “Latin America’s Growth and Equity Frustrations during Structural Reforms,” *Journal of Economic Perspectives*, 18, pp 67-88.
25. (7-Dec) International Dimensions IV: Does Aid Work? Part I
- Easterly, William (2009), “Can the West Save Africa?”, *Journal of Economic Literature*
 - * Banerjee, Abhijit and Ruimin He (2008), “Making Aid Work” in *Reinventing Foreign Aid*, ed. William Easterly, MIT Press, Cambridge, Massachusetts, pp. 44-92

6 Grading

The grade will be based on a total score of 100, which will be based on three different components, outlined as follows:

6.1 Pop Quizzes

Thirty points of the grade will be based on pop quizzes, which will take place in the lectures on randomly chosen occasions. These will be short, multiple-choice quizzes that are designed to test that you have completed the required reading for each lecture *before* each lecture. Questions will be simple, potentially cover the past 3 articles. Attendance at lectures is compulsory and any missed quizzes will receive a grade of zero. Your worst pop quiz grade will be removed when calculating your final grade, however.

6.2 Final Exam

Forty points of the grade will be based on a final exam to be administered during exam week. The exam will be based on the required readings throughout the year as well as the lecture material covered in class and recitations. It will be a mixture of multiple choice and written questions, and take a total of three hours.

6.3 Written Assignments

Thirty points of the grade will be based on 4 short written assignments that you will be expected to hand in to the TA at recitations. Each written assignment will be approximately 500 words in length, and should be focused on a lecture's required reading material. The course material described above is broken down into 25 lectures organized around 7 topics (Introduction, Food, Education, Health, Finance, Institutions, and International Dimensions). Accordingly, you will have the option of selecting any 4 (out of the available 7) themes for your written assignments. The assignment for each topic is due by the first recitation to occur after the last lecture that covers that topic. If you would like interim feedback on your written work please ask your TA to grade your assignment not for credit.

The subject of these written assignments can be either: (a) your answer to a question that has been suggested by the TA on each lecture's required reading; or (b), an opinion piece on a topic of your choice (be sure it's something you find interesting) related to the lecture's required reading (feel free to discuss this in advance with your TA if you like). In either case, you are expected to state a thesis up front, discuss why your reader should care about the topic you've chosen, and argue in favor of it. A book report or other type of non-critical summary is not acceptable. These assignments are to be completed individually and in your own words.

Because 500 words is very short your written argument should be concise and punchy, and be high on content and opinion. It will take some time to compose—one possible

strategy is to write a 1000 word piece and edit it down to 500 words so that you are left with only the essential argument.

6.3.1 Examples of Potential Paper Topics

- Foreign aid should be limited to countries with good governance.
- The one dollar-a-day poverty standard is misleading and should be abandoned.
- Measuring absolute poverty is important (for the following three reasons) and (with the following modifications), the dollar-a-day poverty standard is an effective tool for doing so.
- Local accountability is critical to providing effective education.
- National standards, funding, and accountability are the keys to improving education.
- Microfinance institutions need to be closely regulated.
- Excessive regulation will kill microfinance.